

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 PA-02 PRS-01 /108 W

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R 291002Z APR 77

FM AMEMBASSY BERN

TO SECSTATE WASHDC 4270

INFO AMEMBASSY BONN

USMISSION GENEVA

AMEMBASSY LONDON

AMCONSUL MILAN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY VIENNA

AMCONSUL ZURICH

UNCLAS BERN 1862

PASS TREASURY AND FRB

VIENNA FOR ELLIS

EO 11652: NA

TAGS: EFIN SZ

SUBJ: MORE ON SWISS KREDITANSTALT (SKA) LOSSES

REF: BERN 1826

1. SUMMARY: ADDITIONAL INFO REPORTED BY SWISS TV ON SWISS KREDITANSTALT (CREDIT SUISSE) CHIASSO BRANCH LOSSES INDICATES OFFICERS GAVE CLIENTS LETTERS OF INDEBTEDNESS ON BEHALF SKA FOR SOME 2.5 BILLION AND GUARANTEED AMOUNTS INVESTED. REPORT INDICATES CRIMINAL INTENT TO VIOLATE SWISS LAW, AND SURPRISING EXTENT OF INVOLVEMENT BY CHIASSO BRANCH OFFICERS.
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GOVT COMMUNIQUE STATED FEDERAL COUNCIL FOLLOWING MATTER CLOSELY. SWISS FINANCIAL MARKETS WERE CLAMER APR 27 AND 28. END SUMMARY.

2. SWISS ROMANDE TV APR 26 REPORTED ON SKA CHIASSO SCANDAL SHED SOME LIGHT ON MOTIVES OF CHIASSO BRANCH DIRS AND ACTUAL OPERATIONS INVOLVED. DIRS REPORTEDLY FORMED

"COMBINATION" WITH SOME 1,000 CLIENTS OVER PAST THREE AND ONE-HALF YEARS WHEREBY INVESTMENTS WERE PLACED ABROAD THROUGH CHIASSO DIRS WITH SKA "GUARANTEE". NO SWISS BANK GIVES SUCH A GUARANTEE. LETTERS WERE DRAWN UP ON SKA STATIONERY BY CHIASSO LEGAL OFFICE IN FORM OF SKA ACKNOWLEDGEMENT OF DEBT TO INVESTORS SIGNED BY CHIASSO SKA DIRS. MONEY WAS SENT TO TEXON-FINANZANSTALT, LECHTENSTEIN, WHICH IN TURN INVESTED MONEY IN ITALIAN FIRMS. TEXON IS POSTAL BOX COMPANY WHICH HAD ONLY SF 50,000 IN CAPITAL UNTIL JAN 1977 WHEN IT WAS RAISED TO SF 500,000. COMPANY PAID LEGAL MINIMUM SF 1000 TAXES IN 1976

3. CHIASSO DIRS REPORTEDLY TOLD CLIENTS (MOSTLY ITALIANS) THAT ALTERNATIVE, LESS ATTRACTIVE INVESTMENT METHODS WOULD BE (A) DEPOSIT IN SKA WHICH WOULD EARN LOW INTEREST ON WHICH 35 PERCENT SWISS TAX WOULD BE WITHHELD, OR (B) INVESTMENT ABROAD THROUGH SKA GENERAL DIRECTORATE BUT WITH ALL RISKS ASSUMED BY INVESTORS. TV REPORTED THAT CHIASSO OFFICERS FELT CONFINED BY ITALIAN AND SWISS FISCAL AND MONETARY LAWS, BUT ESPECIALLY SKA RULES WHICH REQUIRE REPORTING MAJOR TRANSACTIONS TO ZURICH. THIS LAST RULE WAS PARTICULARLY RESENTED IN LIGHT OF HUGE EXPANSION OF CHIASSO BRANCH ACTIVITIES DUE TO PROXIMITY TO ITALIAN BORDER.

4. PRINCIPAL ITALIAN FIRMS IN WHICH TEXON INVESTED WERE: (A) WINEFOOD SPA, MILAN, FOOD GROUP WHICH CONTROLS 25 PERCENT ITALIAN WINE PRODUCTION; (B) ALBARELLA MARE, THUS FAR UNSUCCESSFUL RESORT ISLAND VENTURE NEAR VENICE WHICH CAUSED TEXON FINANCIAL DRAIN WHEN HELFIN HOLDING FINANCE CO (CONNECTED TO TEXON) PULLED OUT; AND (C) AMPAGLAS, MILAN, SUCCESSFUL UNCLASSIFIED

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PLASTIC TOY MANUFACTURER. THESE COMPANIES HAD AT ONE TIME OR ANOTHER AS DIRECTORS TICONO LAWYERS ALFREDO NOSEDO, ALLESANDRO VILLA AND ELBIO GADA, WHO WERE ALSO ON TEXON BOARD ACCORDING TO NEUE ZURCHER ZEITUNG.

5. SKA CHIASSO OFFICERS ARRESTED WERE BRANCH GENERAL DIR ERNST KURMEIER, VICE-DIR CLAUDIO LAFFRANCHI, AND VICE-DIR MEINRAD PERLER. PERLER REPORTEDLY WAS NOT ACTIVELY INVOLVED IN TEXON AFFAIR BUT THOUGH HE KNEW OF IT DID NOT INFORM SKA ZURICH. ACCORDING TO NEUE ZUERCHER ZEITUNG, THESE SKA OFFICERS AND TICINO LAWYERS NAMED IN PARA 4 WERE BOARD MEMBERS OF NUMEROUS SWISS COMPANIES IN CHUR, ZUG, DAVOS, CLARUS AND SCHWYZ WHICH HAD ADDRESSES AT LOCAL SKA BRANCH OR PRIVATE RESIDENCES IN THESE TOWNS, AND HAD MINIMUM SF 50,000 CAPITAL.

6. QUESTION REPEATEDLY ASKED IS WHY SWISS NATIONAL BANK AND 2 OTHER LARGEST SWISS BANKS OFFERED SKA PRECISELY SF 3 BILLION IN STANDBY CREDITS. ACCORDING TO TV REPORT, SKA REQUIRES TIME TO RECOVER ITS SF 2.5 BILLION ASSETS INVESTED IN ITALY. QUESTION

IS WHETHER THOSE ARE SOLID ASSETS. IF NOT, LOSSES WILL BE HIGHER. SKA CLAIMED AS LATE AS EVENING APR 27 THAT SF 2,250 MILLION WERE SOLID; ACTUAL LOSS IS SF 250 MILLION. FEDERAL COUNCIL, SNB AND OTHER BIG BANKS APPEAR TO HAVE ACCEPTED THIS. THEREFORE, ACCORDING TO SWISS OFFICIAL SOURCES, SF 3 BILLION STANDBY CREDIT WAS OFFERED TO AVOID WAVE OF PANIC AND RUN ON SKA BRANCHES WHEN FINAL RESULTS OF CHIASSO/TEXON AFFAIR BECOME KNOWN.

7. IT APPEARS THAT SKA CHIASSO "GUARANTEED" ENTIRE SF 2.5 BILLION. JOURNAL DE GENEVA APR 27 REPORTED THAT UNION BANK OF SWITZERLAND OFFICIAL ESTIMATED SKA LOSSES AT 3 TIMES PREVIOUSLY MENTIONED SF 250 MILLION. INTERNATIONAL HERALD TRIBUNE APR 27 REPORTED SKA RESERVES TOTAL SF 2.6 BILLION.

8. GOVT ISSUED BRIEF COMMUNIQUE APR 27 WHICH STATED THAT FEDERAL COUNCIL AND SNB ARE FOLLOWING MATTER CLOSELY AND WILL INFORM PUBLIC AS SOON AS POSSIBLE OF THEIR FINDINGS.
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MEANWHILE, ZURICH FINANCIAL MARKETS CALMED SOMEWHAT WEDNESDAY AND THURSDAY WITH SWISS FRANC CLOSING AT SF 2.51 APR 28 AND SKA SHARES RECOVERING SOME OF EARLIER LOSSES.

9. SNB PRES LEUTWILER APR 28 TOLD ANNUAL SNB GENERAL ASSEMBLY THAT SNB HAS TAKEN NO OTHER MEASURES THAN JOIN IN OFFER OF STANDBY CREDIT AND SAID IT WAS PREMATURE TO DRAW CONCLUSIONS FROM INFO RELEASED SO FAR. HE SAID BANK LAWS DO NOT NEED STRENGTHENING BUT IMPROVED BANKING COMMISSION CONTROL IS DESIRABLE. LEUTWILER ADDED THAT SWISS BANKING SECRECY PROVISIONS NEED REVISION, PERHAPS IN AREA OF NUMBERED ACCOUNTS, BECAUSE IMPROPER BEHAVIOR OF FEW SWISS BANKS TENDS TO HARM REPUTATION OF ALL. DAVIS

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